



THE CITY OF SAN DIEGO

Redevelopment Agency's Report

DATE ISSUED: November 3, 2004 REPORT NO. RA-04-39

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of November 9, 2004

SUBJECT: Entering into an Exclusive Negotiating Agreement with AmProp North
Park, LLC for a Mixed-Use Project in North Park Redevelopment Project
Area

SUMMARY:

Issues –

- 1) Should the Redevelopment Agency Enter into an Exclusive Negotiating Agreement (ENA) with AmProp North Park, LLC?
- 2) Should the Redevelopment Agency Amend the Fiscal Year 2005 Redevelopment Agency Budget to Accept a Developer Deposit, and Increase Appropriations and Authorize Expenditures in the Amount of \$40,000 for The Boulevard at North Park Project (Fund 98317)?

Executive Director's Recommendations –

- 1) Approve the ENA with AmProp North Park, LLC; and
- 2) Amend the Fiscal year 2005 Redevelopment Agency Budget to Accept a Developer Deposit, and Increase Appropriations and Authorize Expenditures in the Amount of \$40,000 for The Boulevard at North Park Project (Fund 98317).

Other Recommendations – On October 12, 2004, the North Park Project Area Committee recommended approval of the Agency entering into an ENA with AmProp North Park, LLC by a vote of 8-1-0.

Fiscal Impact – Upon approval of an ENA, AmProp North Park, LLC will pay the Redevelopment Agency \$40,000 to cover staff costs and consultant fees for negotiating and preparing a Disposition and Development Agreement (DDA).

Environmental Impact – No environmental review is required to enter into an ENA. Complete environmental review will be conducted at the time a DDA is submitted to the Redevelopment Agency/City Council for consideration and when the project submits for City entitlements.

BACKGROUND:

AmProp North Park, LLC (AmProp), is an affiliate of American Property Enterprises, a Developer of residential and commercial properties. AmProp is proposing to develop a mixed-use project in the North Park Redevelopment Project Area and has requested an ENA as the first step towards potentially entering into a Disposition and Development Agreement (DDA) with the Redevelopment Agency. AmProp has also submitted an application for financial assistance through the Agency's Affordable Housing Notice of Funding Availability (NOFA) program.

DISCUSSION:

AmProp North Park is proposing to develop a mixed-use project in the North Park Redevelopment Project Area on a 1.54 acre site bounded by Florida Street to the west, El Cajon Boulevard to the south and Alabama Street to the east (see Attachment 1). The northern portion of the Site is located outside the boundaries of the Project Area. The site is currently occupied by retail, residential and religious uses. AmProp is proposing to demolish the existing buildings and develop a mixed-use project with 180 for-sale condominium homes, 4,419 square feet of commercial, retail, office space and 299 parking stalls. Open space and other amenities will be provided onsite for residential owners. The project is being designed with 3 different floor plans ranging in size from 571 to 1,906 square feet. The estimated total project value is approximately \$70 million.

The ENA (see Attachment 2) negotiation period is 120 days following the approval of this action, with up to 2 additional periods of 45 days each (90 days total). During the ENA period, the Agency shall not negotiate, discuss, or otherwise communicate with any person or entity, other than AmProp, regarding the development of the proposed project site. During the ENA period, Agency staff and AmProp will negotiate the terms of a Disposition and Development Agreement (DDA).

AmProp is in escrow for the purchase of five parcels, representing approximately 90% of the total project site. This includes all property not located within the boundaries of the Redevelopment Project Area, which is approximately 19,500 square feet. The Developer has submitted their development plans to the Development Services Department for review. AmProp has requested Agency involvement to assist with possible site acquisition, and through the NOFA process, gap financing to assist with the affordable units. AmProp is proposing 15% of the units or 27 units to be affordable. Specifically, AmProp is proposing 14 units to be affordable at 100% of Area Median Income (AMI) and 13 units at 110% AMI. The level and number of affordable units exceeds the inclusionary housing requirement. The Developer has incorporated Universal Design standards of accessibility and adaptability within the residential units.

The ENA outlines the obligations of the Developer and the Agency for negotiations required prior to entering into a DDA. It does not commit the Agency or Developer to reach an Agreement.

Developer Obligations

As stated in the ENA (Attachment #2), the Developer will be providing a deposit of \$40,000 for Agency and consultant costs during the Exclusive Negotiating Period. Additionally, during the Negotiating Period, the Developer shall use its good faith efforts to:

- Maximize the number of affordable housing units within the project and provide these units at the lowest affordability levels;
- Prepare any environmental documents required pursuant to Section 8 (Environmental) of the Agreement; and
- Acquire all of the parcels and leasehold interests within the Site and will provide evidence, including an appraisal and correspondence with the property owner and/or tenants, of such efforts to the Agency.

Agency Obligations

As stated in the ENA, during the Exclusive Negotiating Period, the Agency shall use its good faith efforts to:

- Work with the Developer to evaluate the Project cost pro forma for the purpose of determining what, if any, Agency financial assistance is needed to make the Project economically feasible;
- Respond on a timely basis on all submittals by Developer made pursuant to Section 3 (Developer Obligations);
- Work with Developer to establish a reasonable time schedule for the negotiation of a DDA and the completion of all necessary approvals and permits to implement the Project; and

Owner Participation

On September 22, 2004, an owner participation letter was sent by certified mail to the owners of all affected properties within the Redevelopment Project Area not subject to an executed purchase and sale agreement. Included with the letter was a copy of the "Rules Governing Participation by Property Owners and Preference for Businesses to Re-enter in the North Park Redevelopment Project" and a Property Owner Statement of Interest Questionnaire (Questionnaire). The questionnaire solicits input from the current owner regarding their interest in selling the property to the Redevelopment Agency or in submitting a competing proposal. Responses to the questionnaire were requested by October 22, 2004.

On October 4, 2004, one of the owner participation letters was returned as "undeliverable." Upon correcting the owner's mailing address, a second owner participation letter was sent by certified mail and the statement of interest questionnaire deadline was extended to November 4, 2004. Responses to the questionnaire will be presented to the Agency on November 9, 2004.

Two Questionnaires were received by the Agency, the first on October 13, 2004, and the second on October 25, 2004. The first was submitted by the property owner that was given an extension to submit the Questionnaire. This property owner stated on the Questionnaire that he has an agreement to sell his property to the Developer.

The second Questionnaire that was received on October 25, 2004, states that the property owner is interested in submitting a competing proposal as well as participating with the Developer in their proposed project. The property owner's advisor made it known to the Agency, after the Agency's receipt of the Questionnaire that the owner is interested in working with the Developer and not submitting a competing proposal. The property owner will be meeting with the Developer on Friday, November 5, 2004 to discuss ways he may participate with AmProp. Agency staff will be prepared to update the Agency Board of these discussions at the November 9, 2004 hearing.

AmProp has met with the North Park community on the proposed project including the North Park Redevelopment Project Area Committee (PAC), the El Cajon Business Improvement Association and the Greater North Park Community Planning Group. The North Park Redevelopment PAC discussed the ENA on October 12, 2004 and recommended to support the Agency entering into an ENA with AmProp.

AmProp has submitted its development plans to the Development Services Department for review with the goal of commencing construction in December 2005. Completion is scheduled for summer 2006.

Respectfully submitted,

Debra Fischle-Faulk
Deputy Executive Director

Approved: Hank Cunningham
Assistant Executive Director

Attachments:

1. Site Map
2. Exclusive Negotiating Agreement (ENA) between the Redevelopment Agency of the City of San Diego and AmProp North Park, LLC